

109TH CONGRESS
1ST SESSION

H. R. 1123

To amend title II of the Social Security Act to establish an effective real annual rate of interest at 4.7 percent for special obligations issued to the Social Security trust funds.

IN THE HOUSE OF REPRESENTATIVES

MARCH 3, 2005

Mr. SABO introduced the following bill; which was referred to the Committee on Ways and Means

A BILL

To amend title II of the Social Security Act to establish an effective real annual rate of interest at 4.7 percent for special obligations issued to the Social Security trust funds.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Preserving Social Se-
5 curity Act of 2005”.

1 **SEC. 2. INTEREST BORNE BY, AND INCREASES IN PAR**
2 **VALUE OF, SPECIAL OBLIGATIONS ISSUED TO**
3 **THE SOCIAL SECURITY TRUST FUNDS.**

4 Section 201(d) of the Social Security Act (42 U.S.C.
5 401(d)) is amended—

6 (1) by inserting “(1)” after “(d)”;

7 (2) by striking the fifth sentence and inserting
8 the following new sentences: “Such obligations
9 issued for purchase by the Trust Funds shall have
10 maturities fixed with due regard for the needs of the
11 Trust Funds and shall bear interest at an effective
12 annual rate equal to 4.7 percent, which shall be paid
13 to the Trust Funds semiannually. On June 30 and
14 December 31 of each calendar year, and (with re-
15 spect to each obligation) on its date of maturity (or
16 date of redemption, if prior to maturity), the Man-
17 aging Trustee shall adjust (subject to paragraph
18 (2)) the par value of each obligation then held by ei-
19 ther of the Trust Funds and issued for purchase by
20 such Trust Fund so as to equal the product derived
21 by multiplying the current par value as of imme-
22 diately before the applicable date by the CPI adjust-
23 ment factor (defined in paragraph (3)(A)) for the
24 obligation in connection with the month in which the
25 applicable date occurs (rounded, if not a multiple of
26 \$0.01, to the nearest multiple of \$0.01).”; and

1 (3) by adding at the end the following new
2 paragraphs:

3 “(2)(A) In any case in which the number of days in
4 the actual adjustment period (defined in subparagraph
5 (B)(i)) for an obligation differs from the number of days
6 in the computation period (defined in subparagraph
7 (B)(ii)) for the obligation, the amount by which the par
8 value of an obligation is adjusted pursuant to paragraph
9 (1) shall be an amount which bears the same ratio to the
10 amount that would otherwise apply under paragraph (1)
11 as the number of days in the actual adjustment period
12 bears to the number of days in the computation period.

13 “(B) For purposes of subparagraph (A)—

14 “(i) The term ‘actual adjustment period’ for an
15 obligation means the period beginning with—

16 “(I) the date following the date of the last
17 previous adjustment in the par value of the ob-
18 ligation under paragraph (1), or

19 “(II) if no such adjustment in the par
20 value of the obligation has occurred, the date of
21 the issuance of the obligation,
22 and ending with the date of the increase in par value
23 to be determined under paragraph (1).

24 “(ii) The term ‘computation period’ for an obli-
25 gation means the period beginning with the date fol-

lowing the adjustment reference month (defined in paragraph (3)(C)) for the obligation and ending with the last date of the adjustment computation month (defined in paragraph (3)(B)) for the obligation.

“(3) For purposes of this subsection—

“(A) The term ‘CPI adjustment factor’, for an obligation in connection with any calendar month, means the ratio (expressed as a percentage) of—

“(i) the Consumer Price Index for the adjustment computation month for the obligation in connection with such calendar month to

“(ii) the Consumer Price Index for the adjustment reference month for the obligation in connection with such calendar month.

“(B) The term ‘adjustment computation month’ for an obligation means, in connection with a month in which occurs the date of an adjustment in par value of the obligation to be determined under paragraph (1), the first of the 2 preceding calendar months.

“(C) The term ‘adjustment reference month’ for an obligation means, in connection with a month in which occurs the date of an adjustment in par value of the obligation to be determined under paragraph (1)—

1 “(i) the last adjustment computation
 2 month with respect to which an adjustment in
 3 par value of the obligation under paragraph (1)
 4 has occurred, or

5 “(ii) if no such adjustment in the par value
 6 of the obligation has occurred, the first of the
 7 2 months preceding the month in which such
 8 obligation was issued.

9 “(D) The term ‘Consumer Price Index’ means
 10 the Consumer Price Index for Urban Wage Earners
 11 and Clerical Workers (CPI-W), issued by the Bu-
 12 reau of Labor Statistics of the Department of
 13 Labor.”.

14 **SEC. 3. EFFECTIVE DATE AND TRANSITIONAL RULE.**

15 (a) **EFFECTIVE DATE.**—The amendments made by
 16 this Act shall apply with respect to special obligations
 17 issued on or after January 1, 2006.

18 (b) **TRANSITIONAL RULE.**—On January 1, 2006, the
 19 Secretary of the Treasury shall redeem all obligations
 20 which are held on such date by the Federal Old-Age and
 21 Survivors Insurance Trust Fund and the Federal Dis-
 22 ability Insurance Trust Fund and which were issued for
 23 purchase by the Trust Funds pursuant to section 201(d)
 24 of the Social Security Act. Upon the redemption of each
 25 such obligation, such Secretary shall immediately issue an

1 by the Trust Funds under such section 201(d) (as amend-
2 ed by this Act) with an initial par value equal to the par
3 value of the redeemed obligation and with a date of matu-
4 rity which is the same as the date of maturity of the re-
5 deemed obligation.

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